# Section 3: AS Unit 2: Financial Accounting

## The Journal

This section will introduce candidates to the use of the journal covering transactions from within the Unit 1 specification.

**Chief Examiner's tip**

Candidates can have difficulty in entering journals with the correct debit and credit entries. Much of the course concentrates on ledger entries and candidates might find it easier working backwards i.e. prepare ledge account entries first and from these prepare journals.

## Correction of Errors

This section is built around errors and the Suspense Account. Initially it is useful to cover errors not involving the Suspense Account. Again candidates might find it easier to think of ledger entries prior to making the journals.

The effect of errors on profit is frequently asked in exams and candidates are often unable to show the impact of each error. It can be useful to build up a Trading and Profit and Loss Account (before and after each error) to show the impact on profit.

For example, a debit of £210 for repairs is entered as £201, what is the effect on net profit?

| | Before | After |
|---|---|---|
| | £ | £ |
| Gross Profit | 500 | 500 |
| Expenses | 201 | 210 |
| Net Profit | 299 | 290 |

We can see net profit has decreased by £9 (likewise any increase in an expense will reduce net profit by a corresponding amount). This approach, using own figures can help candidates work out the movement in profit.

To deal with errors it can help to adopt a 'was' and 'should be' approach showing the ledger entries. This approach can make the correction of errors easier. Again inserting own figures can help work out movements.

For example, rent has been undercast by £70.

Was

| Rent | |
|---|---|
| £ | £ |
| 200 | |

Should be

| Rent | |
|---|---|
| £ | £ |
| 270 | |

We can see that a debit of £70 is needed in the Rent Account, with the double entry being completed in the Suspense Account. The journal will be:

| | £ | £ |
|---|---|---|
| Rent | 70 | |
| Suspense | | 70 |

**Chief Examiner's tip**

Errors and suspense can be made easier by adopting a 'was' and 'should be' approach, using own figures to build up answers.

Exam questions usually include errors with varying demands of difficulty. There are two areas where demands tend to be higher.

(i) When the error includes 'Returns', candidates often have difficulty working out whether it is Purchase Returns or Sales Returns. It is useful to look for the movement of goods. If we are returning goods, then initially we must have received (purchased) them, therefore if originally purchases, they will now be purchase returns. Likewise, if goods are being returned to us, then originally we must have sold them (sales), therefore, if originally sales, they will now be sales returns. Difficulty can also arise when we receive a credit note and need to work out whether it is for purchase returns or sales returns. A strategy in class could be for a candidate to be asked what must happen for them to receive a credit note (which most have). They will be able to work out that originally they bought goods and have now decided to return them i.e. purchase returns. Therefore, it can be worked out that receiving a credit note means purchase returns.

**Chief Examiner's tip**

Working out the original transaction can help candidates identify the type of 'Return'.

(ii) When discount has been entered on the wrong side of the wrong account. Here we find there is need for two journals to make the correction. For example, discount allowed of £300 was entered in error as a credit in discount received. The approach of 'was' and 'should be' helps work out the required entries.

Was

| Discount Received | |
|---|---|
| £ | £ |
| | 300 |

Should be

| Discount Allowed | |
|---|---|
| £ | £ |
| 300 | |

To correct we need to cancel out the original error, and must enter a £300 debit in the Discount Received Account. The double entry credit cannot go in the Discount Allowed Account, as a debit only is needed here. Therefore, we make a credit in the Suspense Account. Whilst this clears the original error, we must also make the correct entry in the Discount Allowed Account. We can see above that a debit is needed and the double entry credit must again go in the Suspense Account. The journals will be:

| | £ | £ |
|---|---|---|
| Discount Received | 300 | |
| Suspense | | 300 |
| Discount Allowed | 300 | |
| Suspense | | 300 |

# Control Accounts

It is at this stage that the sub division of the ledger should be introduced. This will help candidates work out the flow of a transaction, particularly where it originated from. Whilst it would be helpful to cover some examples recording transactions in the books of original entry, this should be with the aim of identifying the flow of the transaction and its impact on the Schedule of Debtors/Creditors or Control Accounts. Questions will not be set in the exam on recording transactions in the books of original entry. It is important that candidates understand the impact of entries.

For example, if there is an error in the Sales Journal, then the flow would be:
Sales Journal – Sales Account in General Ledger – Control Account i.e. an impact in the Control Account.

If an error was in a debtors account in the Sales Ledger, then the impact would be in the Schedule of Debtors. It would not flow to the Control Account.

A common error in exams is the reversal of Control Accounts. It can help for candidates to work out a few basic entries first, knowing that the double entry for a transaction is completed in the Control Account.

For example, prepare ledger accounts as follows:

| Sales | |
|---|---|
| | X |

| Sales Returns | |
|---|---|
| X | |

| Bank (for sales) | |
|---|---|
| X | |

| Discount Allowed | |
|---|---|
| X | |

From this complete the double entry in the Sales Ledger Control Account.

Sales Ledger Control Account

| | | | |
|---|---|---|---|
| Sales | X | Sales Returns | X |
| | | Bank | X |
| | | Disc All | X |

**Chief Examiner's tip**

Working from simple double entries in the General Ledger can help ensure entries are made on the correct sides in Control Accounts.

Contra entries can cause problems and it helps to link them to the side the bank entry is on i.e. in the above a contra entry would be on the credit side.

Sales can be linked to debtors therefore a debit balance b/d in the Sales Ledger Control Account will represent opening debtors. However, there can sometimes be a small balance b/d on the credit side in the Sales Ledger Control Account. This can be explained, when payment has been received, goods are subsequently returned to us and we now owe to someone we originally sold goods to.

The approach adopted in the above can also be used for the Purchase Ledger Control Account.

The following layouts can be adopted for the Control Accounts:

Sales Ledger Control Account

| | | | |
|---|---|---|---|
| Bal b/d (larger) | X | Bal b/d (smaller) | X |
| Sales | X | Bank | X |
| Dishonoured Cheques | X | Cash | X |
| Interest Charges | X | Discount Allowed | X |
| Bal c/d (smaller) | X | Sales Returns | X |
| | | Bad Debts | X |
| | | Contra PL | X |
| | _ | Bal c/d (larger) | X |
| | X | | X |

Purchase Ledger Control Account

| | | | |
|---|---|---|---|
| Bal b/d (smaller) | X | Bal b/d (larger) | X |
| Bank | X | Purchases | X |
| Cash | X | Bal c/d (smaller) | X |
| Discount Received | X | | |
| Purchase Returns | X | | |
| Contra SL | X | | |
| Bal c/d (larger) | X | | _ |
| | X | | X |

**Chief Examiner's tip**

Control Accounts are used for credit transactions; this may include payments/receipts by cash for transactions originally on credit. They will exclude cash sales/purchases.

# Accounting Adjustments and Statements

Incomplete records are included in this section. Key aspects in questions frequently involve the calculation of sales and purchases. The following gives a guide to the main entries to look out for when building up to final figures.

Sales

- Bank receipts for sales
- Cash receipts for sales
- Minus last year's debtors
- Plus this year's debtors
- Discount allowed.

Purchases

- Bank payments for purchases
- Cash payments for purchases
- Minus last year's creditors
- Plus this year's creditors
- Discount received
- Less drawings of goods.

**Chief Examiner's tip**

It is important to show calculations for the above as marks are usually awarded for individual values, even though the final total may be incorrect.

In this topic a common error is to omit the opening bank balance when calculating capital at the start of the period. Likewise, the bank value at the end (usually from balancing the Bank Account) is sometimes omitted.

An area which causes difficulty for candidates is the application of mark up. Frequently a sales value is given and candidates need to calculate cost. It is useful to build up models and then work backwards.

For example, mark up is 25% on cost. Sales are £1,680. Calculate cost.

First build up a model:

| | |
|---|---|
| Cost | 100 |
| Mark up | 25 |
| Sales | 125 |

Now ask what you must do to the 125 sales to get back to cost 100.

| **Sales** | | | | **Cost** |
|---|---|---|---|---|
| 125 | X | ? | = | 100 |

We can see a multiplier using the two figures shown must be used i.e.

| **Sales** | | | | **Cost** |
|---|---|---|---|---|
| 125 | X | **100** | = | 100 |
| | | **125** | | |

From this we can see that if sales are multiplied by 100/125, then cost will be shown.

Therefore

| **Sales** | | | | **Cost** |
|---|---|---|---|---|
| £1,680 | X | 100 | = | £1,400 |
| | | 125 | | |

If a question gives a mark up of 25%, then multiplying any sales value by 100/125 will give the cost value.

A mark up of 20% is also frequently given in questions. Using the same logic:

| | |
|---|---|
| Cost | 100 |
| Mark up | 20 |
| Sales | 120 |

| **Sales** | | | | **Cost** |
|---|---|---|---|---|
| 120 | X | **100** | = | 100 |
| | | **120** | | |

Here we see multiplying any sales value by 100/120 will give the cost value.

**Chief Examiner's tip**

The use of a model using cost of 100 will help to work out the multiplier needed to get from sales to cost.

Another accounting adjustment in this section relates to stock and the Balance Sheet date. This topic involves two approaches.

(i) Stock calculated after Balance Sheet date

Using a simple illustration

| | £ |
|---|---|
| Stock 31 October | 4,000 |
| Purchases 4 Nov | 500 |
| Stock 6 Nov | 4,500 |

Questions give the stock at the later date (£4,500), then details of transactions between the correct date 31 October and a later date 6 November. Using these figures we can see that if we start with £4,500, we then need to deduct purchases to arrive at the stock value 31 October. From this we can establish a pattern:

-P

+S

+PR

-SR

This can then be applied to a question (noting that sales need converting to cost).

(ii) Stock given at a start date followed by a series of transactions

Using a simple illustration

| | £ |
|---|---|
| Stock 1 October | 3,000 |
| Purchases 15 October | 600 |
| Stock 31 October | 3,600 |

Questions give the opening stock 1 October £3,000, then details of transactions between this date and a later date (31 October), with the requirement to calculate the closing stock. From the above we can see that if we start with the £3,000, we then need to add purchases £600 to arrive at the stock value £3,600 at 31 October. We can again establish a pattern:

+P

-S

-PR

+SR

This can be applied to a question (again noting that sales need converting to cost).

**Chief Examiner's tip**

Use the impact of purchases to work out a pattern for the treatment of some of the other transactions in calculating stock at a given date.

A final adjustment in this section is the calculation of revised profit on a change in the method of depreciation. The following illustration helps the logic to be remembered for this topic.

A company may be using one method of depreciation and wants to change to another method. In such cases, questions ask to calculate the impact on profit.

e.g. Year 1 : Net Profit £70,000
Year 2: Net Profit £90,000

Old method of depreciation (reducing balance)

Year 1: £10,000
Year 2: £8,000

New method of depreciation (straight line)

Year 1: £6,000
Year 2: £6,000

To calculate the revised net profit, adopt the following:

| | Year 1 | Year 2 |
|---|---|---|
| | £ | £ |
| Original net profit | 70,000 | 90,000 |
| Add back old depreciation | 10,000 | 8,000 |
| | 80,000 | 98,000 |
| Take off new depreciation | 6,000 | 6,000 |
| Revised net profit | 74,000 | 92,000 |

**Chief Examiner's tip**

The following format helps to remember what is needed for this type of adjustment:

- Original net profit
- Add back the old
- Take off the new
- Revised net profit

## Organisations

This section covers the theory of different types of organisations and it may be covered as its own topic or with the main aspects when covering the accounting for different types of organisations.

## Sole Trader

This section includes the final accounts to the format covered in unit 1, coupled with the final accounts for a service business. When questions relate to a service business, candidates still tend to look for trading items, rather than income/fees received for the service.

**Chief Examiner's tip**

Look out for income/fees received in a service business rather than the usual Trading Account entries of sales, purchases and stock of goods.

## Partnerships

This introduces additional sections to the final accounts previously covered together with additional accounts including Current Accounts and Capital Accounts. The first new aspect will be the Appropriation Section and candidates need to think what adds to net profit and what will be deducted from net profit.

A logic to follow is if a partner takes drawings he may have to pay interest to the partnership; therefore this would add to net profit. If a partner puts capital into the partnership, then it may pay interest to the partner, and this will reduce net profit.

The payment of a partner's salary will also reduce net profit. The resultant figure will be the balance of profit to be shared.

We therefore have:

- Net Profit
- Add interest on drawings
- Less interest on capital
- Less partners salary.

**Chief Examiner's tip**

Interest calculations are sometimes for part of a period only and not necessarily for a full year.

Current Accounts can cause problems with entries being made on incorrect sides. To help candidates remember on what side the entries are made, relate to the pressure on tyres with the measurement used = pounds per square inch (psi).

Psi fits on the credit side with dd on the debit side – this is now shown:

Current Account

| | | | |
|---|---|---|---|
| **D**rawings | X | **P**rofit | X |
| Interest on **D**rawings | X | **S**alary | X |
| | _ | **I**nterest on Capital | X |
| | X | | X |

The layout for the Current Account section of the Balance Sheet is represented by showing the above in a vertical format.

P

S

I

D

D

**Chief Examiner's tip**

PSI/DD is a useful way for candidates to remember the correct sides in the Current Account. For those who are learning to drive, the tyre pressure measurement is part of the theory for the driving test.

Revaluation and goodwill usually arise on the admission of a new partner and the treatment of goodwill can cause difficulties for candidates. A procedure for treatment of goodwill is now shown together with illustrations for goodwill to remain/not remain.

1. Goodwill to remain in books

- Debit Goodwill
- Credit Capital Old Partners (old ratio).

2. Goodwill not to remain in books

The first stage is the same as the above:

- Debit Goodwill
- Credit Capital Old Partners (old ratio).

There is now an additional stage to take goodwill out of the books:

- Debit Capital (new ratio to all partners in new firm)
- Credit Goodwill.

**Illustration – treatment of goodwill**

A and B are partners sharing profits equally. Their capitals are, A, £50,000 and B, £30,000. They decide to admit C as a partner who provides capital of £30,000 cash. The profit sharing ratio is to change to A = 2/5, B = 2/5 and C = 1/5. Goodwill is valued at £12,000.

1. Goodwill to remain in books

**Goodwill**

| | £ | | £ |
|---|---|---|---|
| A – Capital | 6,000 | Bal c/d | 12,000 |
| B – Capital | 6,000 | | |
| | 12,000 | | 12,000 |

**A – Capital**

| | £ | | £ |
|---|---|---|---|
| Bal c/d | 56,000 | Bal b/d | 50,000 |
| | | Goodwill | 6,000 |
| | 56,000 | | 56,000 |

**B – Capital**

| | £ | | £ |
|---|---|---|---|
| Bal c/d | 36,000 | Bal b/d | 30,000 |
| | | Goodwill | 6,000 |
| | 36,000 | | 36,000 |

**C – Capital**

| | £ | | £ |
|---|---|---|---|
| Bal c/d | 30,000 | Cash | 30,000 |

Balance Sheet extract

| | | £ |
|---|---|---|
| Fixed Assets – Intangibles – Goodwill | | 12,000 |
| Capital | A | 56,000 |
| | B | 36,000 |
| | C | 30,000 |

2. Goodwill not to remain in books

**Goodwill**

| | £ | | £ |
|---|---|---|---|
| A – Capital | 6,000 | A – Capital | 4,800 |
| B – Capital | 6,000 | B – Capital | 4,800 |
| | | C – Capital | 2,400 |
| | 12,000 | | 12,000 |

**A - Capital**

| | £ | | £ |
|---|---|---|---|
| Goodwill | 4,800 | Bal b/d | 50,000 |
| Bal c/d | 51,200 | Goodwill | 6,000 |
| | 56,000 | | 56,000 |

**B - Capital**

| | £ | | £ |
|---|---|---|---|
| Goodwill | 4,800 | Bal b/d | 30,000 |
| Bal c/d | 31,200 | Goodwill | 6,000 |
| | 36,000 | | 36,000 |

**C - Capital**

| | £ | | £ |
|---|---|---|---|
| Goodwill | 2,400 | Cash | 30,000 |
| Bal c/d | 27,600 | | |
| | 30,000 | | 30,000 |

Balance Sheet extract

| | | £ |
|---|---|---|
| Capital | A | 51,200 |
| | B | 31,200 |
| | C | 27,600 |

# Clubs and Societies

Subscriptions tend to be the main area here causing difficulties for candidates. It is useful to outline the double entry for the receipt of cash for subscriptions, with the key point that the club are receiving cash, therefore debit cash. The double entry in the Subscriptions Account must therefore be a credit.

To show the above:

| Subs | |
|---|---|
| | X |

| Cash | |
|---|---|
| X | |

From this, the logic for the other entries can be built up.

Subscriptions

| | | | |
|---|---|---|---|
| (Owing to the club at start) | | (Paid in advance at start) | |
| Debtor = debit Bal b/d | X | Creditor = credit Bal b/d | X |
| Income and Expenditure | X | Cash | X |
| (final entry to make the account balance) | | | |
| | | Bad Debts | X |
| (Paid in advance at the end) | | (Owing to club at end) | |
| Bal c/d | X | Bal c/d | X |
| | X | | X |

The Purchases entry in the Trading Account can also cause difficulty and candidates need to think back to the adjustments made for purchases in the Trading Account when covering incomplete records i.e.

- Amount paid
- Less last year's creditors
- Plus this year's creditors.

Where there is income and expenditure for the same item e.g. Disco, then there is need to net the figures for one entry only in the Income and Expenditure Account. A net gain being income or a net loss being expenditure.

**Chief Examiner's tip**

Different terms are used in the accounts of clubs compared to business organizations. Marks may be awarded for use of correct terminology e.g. surplus, deficit, accumulated fund.

## Analysis and Evaluation of Accounting Statements

This introduces accounting ratios to the specification, noting it is developed later in unit 4 (A2 level). The following notes give an indication of the depth required at AS level.

Ratios are used to give a guide to the performance of a company. Ratios are calculated from the final accounts, and, therefore, reflect on past performance. It is useful to look at the trend over a period of time and to compare with similar companies. There are two aspects to consider profitability and liquidity. We shall use the accounts of Nian Limited over a two-year period.

Nian Limited

Trading and Profit and Loss Accounts for the Year Ended

| | Year One | | Year Two | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Sales | | 840 | | 1020 |
| Opening Stock | 109 | | 99 | |
| Purchases | 620 | | 716 | |
| | 729 | | 815 | |
| Closing Stock | 99 | | 143 | |
| Cost of Sales | | 630 | | 672 |
| Gross Profit | | 210 | | 348 |
| Expenses | | 170 | | 276 |
| Net Profit | | 40 | | 72 |

Balance Sheets as at

| | Year One | | Year Two | |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Fixed Assets (net) | | 104 | | 190 |
| Current Assets | | | | |
| Stock | 99 | | 143 | |
| Debtors | 140 | | 177 | |
| Cash/Bank | 21 | | 2 | |
| | 260 | | 322 | |
| Current Liabilities | | | | |
| Creditors | 104 | | 97 | |
| Bank Overdraft | – | | 100 | |
| | 104 | | 197 | |
| Working Capital | | 156 | | 125 |
| | | 260 | | 315 |
| Financed by | | | | |
| Capital | | 260 | | 315 |

# Profitability

All companies aim to make a profit. Profit provides an income for the owner(s) and enables the company to invest/plough back for the future. If a business does not make a profit, the owner(s) may consider alternative investments.

## 1. Return on Capital Employed (ROCE)

This is the main measure of profitability. It shows the return on the capital invested in the business. It may be compared with returns made by other companies and other investments.

$$\frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$$

(Multiplying by 100 means the answer is a percentage.)

Capital employed can have different interpretations and at this stage it may be measured by the Balance Sheet value.

| | | Year One | | | | | Year Two | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 40 | X | 100 | = | 15.4% | | 72 | X | 100 | = | 22.9% |
| 260 | | | | | | 315 | | | | |

There is an increase in year two and this would be a movement in the right direction. It would be helpful to compare with similar companies over the same period.

2. Gross Profit as a Percentage of Sales

This shows the profit percentage made on sales during the trading activity.

$$\frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

| | | Year One | | | | | Year Two | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 210 | X | 100 | = | 25% | | 348 | X | 100 | = | 34.1% |
| 840 | | | | | | 1020 | | | | |

This shows an increase in year two and again is a movement in the right direction.

3. Net Profit as a Percentage of Sales

This shows the profit percentage made on sales after taking expenses into account.

$$\frac{\text{Net Profit}}{\text{Sales}} \times 100$$

| | | Year One | | | | | Year Two | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 40 | X | 100 | = | 4.8% | | 72 | X | 100 | = | 7.1% |
| 840 | | | | | | 1020 | | | | |

This shows an increase in year two, and again is a movement in the right direction. If the gross profit to sales percentage has increased, then if expenses are being controlled, we would expect this movement. If the net profit to sales percentage had decreased then we would need to investigate expenses. It is worth looking at the proportionate movement in each case.

## Liquidity

A business aims to make a profit and remain liquid (solvent). Liquidity refers to cash and 'near' cash. If we refer back to the accruals concept we will recall that sales are recorded in the Profit and Loss Account, even though cash may be received at a later date. This means we could report a profit and yet not have cash. Liquidity looks at our cash position and we should ensure we have cash available (to pay for purchases and expenses, particularly wages). It considers our ability to pay our way in the short term. If we are not able to pay our way, suppliers may refuse to deal with us and eventually we could be forced into bankruptcy.

1. Current ratio

This looks at our ability to meet short-term liabilities. It uses the two 'current' aspects of the Balance Sheet.

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

It is expressed :1

| Year 1 | | | Year 2 | | |
|---|---|---|---|---|---|
| 260 | = | 2.5:1 | 322 | = | 1.6:1 |
| 104 | | | 197 | | |

As a guide, traditionally we look for a ratio in the region 1.5 to 2 : 1. This would mean having close to double the current assets to current liabilities. A ratio below 1.5:1 has traditionally been a warning signal, although these days companies can operate safely below this level. A high ratio could mean that too much money is tied up in unproductive assets. In our example, the ratio shows a downward trend, and while it is currently within an acceptable range, we would need to monitor the trend.

2. Liquid (acid test) Ratio

This takes a more stringent look at liquidity. It recognises that it may take time to sell stock and, therefore, cash might not immediately be available and problems could arise if creditors press for payment. The ratio deducts stock from current assets and the resultant value is expressed over current liabilities. It is a stronger assessment of ability to meet short-term liabilities.

$$\frac{\text{Current Assets - Stock}}{\text{Current Liabilities}}$$

Again, it is expressed :1

| Year 1 | | | Year 2 | | |
|---|---|---|---|---|---|
| $\frac{206-99}{104}$ | = | 1.5:1 | $\frac{322-143}{197}$ | = | 0.9:1 |

As a guide, traditionally we look for a minimum of 1:1 and preferably in the region of 1 to 1.5:1. Year one is satisfactory, however year two is a concern as it is below 1:1 and could mean that if our current liabilities (creditors) pressed for immediate payment, we could have difficulty meeting demands.

**Note:** Whenever we consider liquidity always look to see if there is an overdraft and if so make a comment. Here we could comment that there is a bank overdraft in year two and this has led to a downward movement in the liquidity ratios and needs monitoring.

3. Stock Turnover

This is a measure of how effectively stock has been used, how many times it has been turned over (sold and replaced).

$$\frac{\text{Cost of Sales}}{\text{Average Stock}}$$

$$\text{Average stock} = \frac{\text{opening stock + closing stock}}{2}$$

It is usually expressed as 'times'.

$$\text{Average stock year one} = \frac{109 + 99}{2} = 104$$

Average stock year two = $\frac{99+143}{2}$ = 121

| Year 1 | | | Year 2 | | |
|---|---|---|---|---|---|
| $\frac{630}{104}$ | = | 6.1 times | $\frac{672}{121}$ | = | 5.6 times |

The rate can also be expressed in days.

| Year 1 | | | Year 2 | | |
|---|---|---|---|---|---|
| $\frac{365}{6.1}$ | = | 60 days | $\frac{365}{5.6}$ | = | 65 days |

The rate will depend on the type of business, e.g. bread = 360 times. Carrying stock ties up funds, these perhaps could be used for other productive purposes. In addition it will cost businesses money to store stock, e.g. warehouse, storeman, heat and light.

Here we have a decrease, which would require further investigation. Purchases have increased and we are carrying additional stocks in year two, i.e. we have bought more stock and have not sold all of it.

**Chief Examiner's tip**

Marks may be awarded for the correct expression of a ratio i.e. :1, %, times. Ratio analysis also provides an opportunity for candidates to demonstrate the application of evaluative skills.

# ICT in Accounting

This gives an overview of the theory required for the specification. Candidates will not be required to use ICT in the examination.